

REFORMULATION AND REORIENTATION OF THE SOCIAL PORTFOLIO TO SUPPORT THE SOCIAL EMERGENCY PLAN OF ARGENTINA

EXECUTIVE SUMMARY

Borrower: Argentine Republic

Guarantor: Argentine Republic

Executing agency: The executing agencies will continue to be the respective sector ministries: the Federal Ministry of Social Development for the Program in Support of Vulnerable Groups (PAGV) and the Barrio Improvement Program (PROMEBA); the Federal Ministry of Education for the School Retention Scholarship Program (BECAS); and the Federal Ministry of Health for the Primary Health Care Program (PROAPS). The executing agency for the Children and Youth at Risk Program (PROAME) will be the Social Program Information, Monitoring, and Evaluation System (SIEMPRO), which reports to the Office of the President.

**Amount and
source:¹**

Reformulated loans:

Balance

	US\$	206.2
IDB: (OC)	US\$	196.4
1021/OC-AR	US\$	8.0
1031/OC-AR-2	US\$	24.2
1193/OC-AR	US\$	86.6
1111/OC-AR	US\$	5.6
940/OC-AR	US\$	72.0
IDB: (SF)	US\$	9.8
996/SF-AR	US\$	4.7
1008/SF-AR	US\$	5.1

¹ The proposed financing matrix (70/30) is the one being considered by the Board of Governors of the Bank (AB-2151 and CS-3400),

	<i>Loans from which resources will be reoriented:</i>	US\$	Amount to be reoriented
	<i>IDB: (OC)</i>	US\$	488.0
	1031/OC-AR-1	US\$	40.0
	1059/OC-AR	US\$	150.0
	1060/OC-AR	US\$	50.0
	1164/OC-AR	US\$	50.0
	1068/OC-AR	US\$	50.0
	1134/OC-AR	US\$	148.0
	<i>IDB (OC and SF)</i>	US\$	694.2
	Local:	US\$	<u>297.4</u>
	Total:	US\$	<u>991.6</u>
Terms:	Disbursement period	2.5	years
Objectives:	To support the social emergency plan of the Argentine authorities by reformulating five programs in execution that are consistent with the strategic lines of that plan, and by reorienting available and uncommitted balances of the loans that finance low-performing programs of lesser priority in the context of the social and economic crisis now affecting the country.		
Description:	<p>To respond to the challenges of poverty and unequal income distribution that are exacerbated in the present economic crisis, the Argentine authorities have formulated a social emergency plan the main lines of action of which are to subsidize unemployed heads of households, to implement an emergency food program, and to provide basic medicines. These programs are designed as strategies for all poor families, with priority given to those with children and adolescents. The main commitments by recipients are medical checkups, school attendance by children and youth, and training for heads of households.</p> <p>Within this strategic framework, the five projects to be reformulated are: (i) the Program in Support of Vulnerable Groups (PAGV), financed with resources of loans 1021/OC-AR and 996/SF-AR, which will be reformulated in the context of the emergency line for the food program; (ii) the School Retention Scholarship Program, (BECAS), financed with resources of loan 1031/OC-AR-2, which will be reformulated in the context of the emergency line for employment; (iii) the Primary Health Care Program (PROAPS), loan 1193/OC-AR, which will be reformulated in the context of the emergency line for the medicine program; (iv) the Barrio Improvement Program (PROMEBA), loan 940/OC-AR, which will be expanded to provide basic social infrastructure in the context of the emergency lines for</p>		

food, medicine, and education; and (v) the Children and Youth at Risk Program (SIEMPRO/ PROAME), financed with resources from loans 1111/OC-AR and 1008/SF-AR, which will be reformulated to strengthen the component addressing the integrated system of identification, selection, registration, monitoring, and evaluation of social programs, a key tool for focusing the emergency plan resources and related actions of the Bank. In the Bank's Project Performance Monitoring Report, these programs are classified as satisfactory with respect to execution, with the exception of PROAPS, likely to meet their development objectives, and very likely to fulfill the assumptions made. PROAPS, which was recently initiated, has consolidated its executing unit and developed a work plan for execution, which will help ensure satisfactory execution.

By contrast, five of the *six projects that will have resources reoriented from their available and uncommitted balances* are classified as unlikely to meet their development objectives, unsatisfactory with respect to execution, and unlikely to fulfill the assumptions made (see table I-2). These are the Youth Productivity and Employability Support Program–(Training) (1031/OC-AR-1); Environmental Management of the Matanza-Riachuelo River Basin (1059/OC-AR); Reform of Nonuniversity Advanced Technical Education–PRESTNU (1060/OC-AR); Integrated Development Program for Large Urban Areas in the Argentine Interior (1068/OC-AR); Program in Support of Reform of the Water Supply and Sanitation Sector (1134/OC-AR). The final project, the Municipal Reform and Development Program (1164/OC-AR), is classified as satisfactory and very likely to achieve its objectives, and only part of its resources will be reallocated without adversely affecting its execution for lack of financing.

**The Bank's
country and
sector strategy:**

The Bank's operational strategy for action in Argentina places priority on activities in the following four basic areas: (i) state reform and fiscal balance; (ii) sustainable growth in the productive sectors and increases in productivity; (iii) poverty reduction and improving the population's quality of life; and (iv) regional integration.

The reformulation of the Bank's social portfolio in Argentina relates directly to the third basic area, by helping limit losses of social and human capital in consequence of the present fiscal and economic crisis, while laying the foundations for a public policy in the social sector concerning investment in human capital as a poverty reduction strategy for the country's most vulnerable groups.

Environmental and social review:

Except for PROMEBA, the reformulated programs provide financing only for small-scale construction projects managed by the community. Therefore the programs will not have an impact on the environment, and environmental protection measures will not be necessary during their execution. With respect to PROMEBA and the construction and upgrading of school buildings, the original environmental eligibility criteria of the programs will be maintained, as they have proven very effective in safeguarding the environmental dimension of these urban normalization projects (see paragraph 3.54).

Benefits:

The main benefit of responding rapidly to the current social emergency, focusing the reformulated portfolio on the very poor, is that it will avoid deterioration in their minimum standard of living, measured in terms of nutrition, education and health, not just of adults but, above all, of children who are the country's main human capital reserve. It is hoped that the emergency can be turned into a true opportunity for linking poor families to the social safety net and for encouraging greater participation by civil society in monitoring government actions to benefit the very poor, while promoting greater transparency through the consolidation and expansion of effective mechanisms for focusing, follow-up and evaluation. In short, in this critical situation, the goal is to help reweave the social fabric to tighten the country's solidarity.

Risks:

In Argentina's current economic situation, the main risk of this initiative to reorient the Bank's social portfolio is the budgetary risk, since at least for 2002, the country does not have sufficient resources to cover the total amounts agreed upon in this reformulation. The Argentine authorities are making all the financial reallocations necessary to ensure that a core budget will be available for the reformulated portfolio in 2002. In a conservative scenario of spending restrictions, US\$250 million could be disbursed in 2002 and the balance of close to US\$450 million in 2003. This second amount will be feasible if the economy can begin to grow again. In the event that the economic recovery is slower than anticipated, the remaining funds for the reformulated projects would be disbursed in the first quarter of 2004, which is still within the two-year period authorized by the Bank.

The consensus to give priority to the strategic agreements envisaged in the social emergency plan is still being worked on, which could pose practical difficulties for reorienting the portfolio from the provincial to the national level and from the other ministries to the social ministries. However, there are clear directives from the country's president, cabinet and minister of the economy to implement the policy agreements that are necessary to achieve this reorientation of the portfolio and the desired objectives.

Special contractual clauses: None.

Exceptions to Bank policy: See Procurement section below.

Procurement: Contracting for equipment, construction, and consulting services will comply with Bank policies. Except as provided below, international competitive bidding will be required for the procurement of equipment in excess of US\$350,000, construction contracts in excess of US\$5 million, and consulting services in excess of US\$200,000.

An exemption from the international competitive bidding process as indicated in paragraphs 3.37 through 3.40 is requested for the first purchase of drugs for the Primary Health Care Program (PROAPS) in the amount of US\$6 million, which are intended immediately to address the emergency caused by a shortage of supplies affecting health care services available to Argentina's poorest households.

With regard to the Barrio Improvement Program (PROMEBA), it is proposed that small-scale construction be performed using labor hired directly by the executing agency from among members of the community benefiting from the project, as specified in paragraph 3.41.